Pre-Response Conference
Solicitation for Master Servicer

Notice: Nothing stated at the Pre-Response Conference may change the Solicitation unless a change is made by the Issuing Officer by written amendment. This summary does not constitute a written amendment.

Eleanor Kennedy, Procurement Director for the Department of Housing and Community Development (DHCD), opened the conference at 2:30 p.m., followed by introductions of DHCD staff and potential applicants.

DHCD attendees included
- Steve Silver, Chief Financial Officer
- Roy Westlund, Deputy Director, Community Development Administration
- Brian Synowiec, Director, CDA Finance
- Teresa Smith, Deputy Director, CDA Finance
- Bill Manahan, CDA Single Family Programs - Single Family Lending
- George Eaton, Director, Division of Credit Assurance and the Maryland Housing Fund
- Mark Petrauskas, Assistant Attorney General

Potential Applicant attendees included:
- Roanne K. Poorten, Cenlar Federal Savings Bank
- Christopher Lightcap, M & T Bank
- Sheryl Krocek and James Coreno, U. S Bank, N. A.

Eleanor explained that DHCD will provide a Pre-Response Conference Summary to all firms known to have received a copy of the RFP. This will include a summary of the proceedings and a list of all firms known to have received a copy of the solicitation. Attendees were reminded that written questions will be accepted following the conference, and should be submitted to Eleanor Kennedy, email kennedy@mdhousing.org; telephone 410-514-7112. Questions may be submitted up until the closing date and will be answered as long as there is sufficient time to research and communicate an answer.

The remainder of the pre-submission conference was devoted to discussion; a summary of which follows.

Q: Could you provide an overview of this solicitation?
A: Currently, we are a whole loan state. As stated in the solicitation document, CDA is seeking a master servicer who will provide purchasing, pooling selling and servicing of mortgage loans in a Mortgage Backed Security structure and will consult with CDA on overall program design and performance. CDA cannot provide details as far as payments at this point, but the master servicer would be made whole.

Q: Is the only risk is related to the cost of servicing?

A: CDA believes that would be the only risk but it would be up to the potential respondents to decide what other operational or financial risks may apply.

Q: Credit risk is a concern; where does that lie?
A: With the servicer, so price accordingly.

Q: What number is the number of VA loans?
A: Out of 1,300 loans in the indenture, 238 are VA loans (2.41%) as of 6/30/09.

Q: Should we price VA loans differently because of losses.
A: We left responses open to accommodate pricing differences.

Q: What is the difference between RRB and SFPB?
A: These are two different indentures. We will soon have only the RRB indenture. We also have created a new indenture for The New Issue Bond Program (NIBP) sponsored by the US Treasury and GSE's

Q: Do you have a lot of lenders that require underwriting services?
A: To the best of CDA Single Family's knowledge, all lenders have in-house underwriters.

We also have requirements for lenders, for example, they need to be direct endorsement lenders. They must also be FHA approved, and FHA requires DE lenders.

CDA will be looking for the master servicer to provide input; we may need to make changes as we move from whole loans to MBS. Our whole way of looking at doing business changes with MBS.

Q: Re: Section 4.1, page 10: "The master servicer will pool the loans for GNMA, Fannie Mae or Freddie Mac securities and will see the securities to the Trustee or to another purchaser as directed by CDA at prices determined by CDA." Who is buying?

A: Initially the thought was we would want to leave flexibility for the future.

Q: Page 11, re: Fannie Mae Desktop Underwriting – what if the lender runs all its loans, not just CDA loans, through DU?
A: We will see if there is a way to use CDA seller number. This will ease the delivery process. At this point, CDA only allows FHA, VA, or RHS insured loans.

Q: Re: re-purchase – what if the party says it will not re-purchase? Where does this risk lie?
A: With the master servicer.

Q: What ability does the master servicer have in lender selection to mitigate this risk in re-purchase?

A: This is something CDA can workout with the master servicer.

Q: What are the criteria for lender selection?
A: This is detailed in the DHCD Manual, which is available on DHCD's website. Criteria include FNMA, Freddie Mac seller/servicer; we look at net worth and review financial statements each year. The lender must have an office in the State of Maryland. Our process of vetting lenders is strong, but we will take your input re this into consideration. We would like input in your proposal re: the tri-party agreement (lender/ CDA/ master servicer).

Q: What is your platform regarding MBE participation for this solicitation?
A: This solicitation is not under procurement rules and as such there are no MBE requirements.

Q: What does the master servicer earn while loans are warehoused? Do you have pooling frequency?
A: The master servicer owns the loan. It is up to the master servicer. We do not have a pooling frequency at this point. We are currently warehousing loans that we plan to put into the MBS structure.
Q: If a loan becomes delinquent while in the warehouse, is it the master servicer's asset at that time?
A: If a loan is delinquent for more than 20 day at the time of purchase or at any time becomes delinquent for 45 days or more, CDA does not purchase the loan. We will work with the master servicer as part of the tri-party agreement.

Q: What do you have in the warehouse now?
A: $10M purchase; but this will be close to $80M purchase by the time of the master servicer contract.

Q: How often does the interest rate change?
A: February 19, 2010 was the last time the interest rate changed.

Q: Are the warehoused loans being serviced by the subservicer; will these be transferred?
A: Yes.

Q: How should we structure seconds?
A: All borrowers are eligible for seconds under the DSELP program. Currently the subservicer services these. We are looking for input from the master servicer regarding this.

Q: How are the amortizing seconds handled?
A: A loan comes through the system "lien code" as a deferred loan. The LPS system links first and second in the system, so the master servicer will link the amortizing second the same way as the deferred seconds.

Q: Do you have any special reporting requirement?
A: No; just what is standard in the industry, although we may need more data, such as demographic information. We will work with the master servicer to ensure we can capture necessary data to respond to requests.

Q: How can we become more familiar with the tax compliance requirements?

A: Section 2 of the Lender's Manual lists the compliance requirements (Federal, State and Program) for the Maryland Mortgage Program and Attachment K is the checklist the lenders use to submit Pre-Closing Compliance Submissions to us.

Here is the link to the "Lenders Only" site on our www.mmprogram.com website: http://www.mmprogram.com/just4Lenders.aspx. For the Lender's Manual, scroll down the page and click on "Lender's Manual-MMP" and for the Attachment K, click on "MMP Attachments", then go to Attachment K.

Q: Have you considered warehouse for securities to keep funds out of escrow?
A: Yes.

Q: You mention to include in the financial proposal that different prices may be presented for future years (within the three year contract term).
A: Ideally we would prefer one price, but we would like to know if you are adjusting for future years. If you are looking at a lock for three years, we want to know because it will cost us. Submitting multiple pricing options is fine. Also, please let us know of anything that impacts your pricing.